

Janesville Consolidated School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2007

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Janesville Consolidated School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2006 Election)

Sandi Carroll	President	2007
Barbara Reid	Vice President	2005
Ron Henry	Board Member	2006
Rusty Roberts	Board Member	2007
Christine Mattingly	Board Member	2008

Board of Education

(After September 2006 Election)

Sandi Carroll	President	2007
Barbara Reid	Vice President	2008
Ron Henry	Board Member	2009
Rusty Roberts	Board Member	2007
Christine Mattingly	Board Member	2008

School Officials

Robert Weber	Superintendent	2007
Susan McClure	District Secretary/Treasurer and Business Manager	2007
Steven A. Weidner	Attorney	2007

Independent Auditor's Report

To the Board of Education of
Janesville Consolidated School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Janesville Consolidated School District, Janesville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

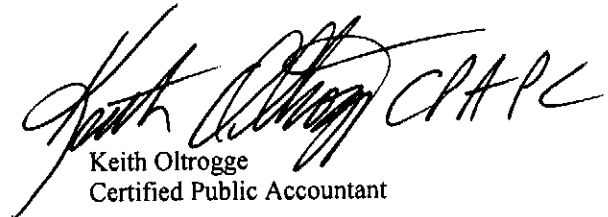
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Janesville Consolidated School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 5, 2008 on my consideration of Janesville Consolidated School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Janesville Consolidated School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

February 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Janesville Consolidated School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,757,307 in fiscal 2006 to \$2,888,298 in fiscal 2007, while General Fund expenditures increased from \$2,676,729 in fiscal 2006 to \$2,842,478 in fiscal 2007. The District's General Fund balance increased from \$638,557 in fiscal 2006 to \$684,377 in fiscal 2007, a 6.6% increase.
- The increase in General Fund revenues was attributable to an increase in local tax and state sources in fiscal 2007. The increases in expenditures was due primarily to an increase in the negotiated salary and benefits and facilities acquisition expenditures. One reason the General Fund balance increased is because revenue increased more than expenditures.
- The District's solvency ratio has increased from 23.86% at June 30, 2006 to 24.10% at June 30, 2007. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.
- The District experienced a loss in enrollment. The September 2006 enrollment was 355, down 3, while the September 2005 enrollment was 358.
- The District has cut back on employee travel, student field trips, and one spring play in light of the tight budget.
- The District is remodeling the facility to be in compliance with fire safety and the American Disabilities Act.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Janesville Consolidated School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Janesville Consolidated School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Janesville Consolidated School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Janesville Consolidated School District Annual Financial Report

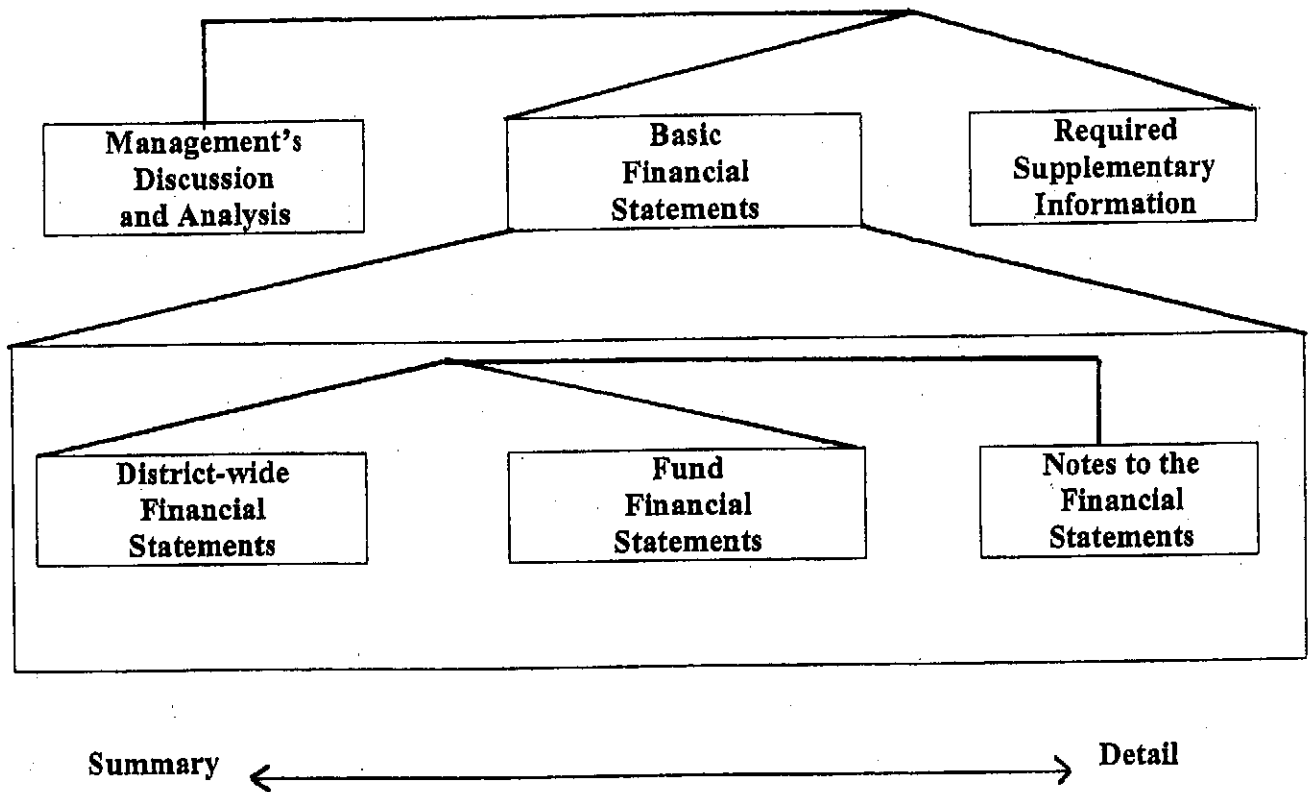


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's School Nutrition program and Childhood Development program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Childhood Development Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$4,322,406	\$2,850,122	\$9,119	\$11,381	\$4,331,525	\$2,861,503	34%
Capital assets	1,468,188	827,749	4,099	4,639	1,472,287	832,388	43%
Total assets	\$5,790,594	\$3,677,871	\$13,218	\$16,020	\$5,803,812	\$3,693,891	36%
Long-term liabilities	\$1,620,612	\$40,261	\$-	\$-	\$1,620,612	\$40,261	98%
Other liabilities	1,698,057	1,477,711	17,752	21,290	1,715,809	1,499,001	13%
Total liabilities	\$3,318,669	\$1,517,972	\$17,752	\$21,290	\$3,336,421	\$1,539,262	54%
Net assets:							
Invested in capital assets, net of related debt	-\$152,424	\$787,488	\$4,099	\$4,639	-\$148,325	\$792,127	-634%
Restricted	1,969,234	734,513	-	-	1,969,234	734,513	63%
Unrestricted	655,115	637,898	-8,633	-9,909	646,482	627,989	3%
Total net assets	\$2,471,925	\$2,159,899	-\$4,534	-\$5,270	\$2,467,391	\$2,154,629	13%

The District's combined net assets increased by nearly 13%, or approximately \$312,000, over the prior year. The largest portion of the District's net assets is in the restricted net assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$1,200,000, or 63% over the prior year. The increase was a result of revenue bonds issued.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$18,000, or 3%. This increase in unrestricted net assets was a result of the District's increased revenues and careful management of expenses.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for service	\$294,039	\$291,590	\$148,562	\$143,598	\$442,601	\$435,188	2%
Operating grants, contribution and restricted interest	340,411	284,314	30,581	29,666	370,992	313,980	15%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,115,013	1,030,965	-	-	1,115,013	1,030,965	7%
Local option sales and service tax	250,545	262,818	-	-	250,545	262,818	-5%
Unrestricted state grants	1,376,569	1,369,305	-	-	1,376,569	1,369,305	.05%
Unrestricted investment earnings	118,030	36,974	73	62	118,103	37,036	69%
Other	5,028	20,940	-	-	5,028	20,940	-76%
Total revenues	\$3,499,635	\$3,296,906	\$179,216	\$173,326	\$3,678,851	\$3,470,232	6%
Program expenses:							
Governmental activities:							
Instruction	\$2,093,553	\$1,991,871	\$-	\$-	\$2,093,553	\$1,991,871	5%
Support services	812,638	798,182	-	-	812,638	798,182	2%
Non-instructional programs	-	-	178,480	187,515	178,480	187,515	-5%
Other expenses	281,418	168,855	-	-	281,418	168,855	40%
Total expenses	\$3,187,609	\$2,958,908	\$178,480	\$187,515	\$3,366,089	\$3,146,423	7%
Change in net assets before adjustment	\$312,026	\$337,998	\$736	-\$14,189	\$312,762	\$323,809	-3%
Beginning balance decrease	-	-100	-	-	-	-100	-
Change in net assets	\$312,026	\$337,898	\$736	-\$14,189	\$312,762	\$323,709	-3%

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,499,635 and expenses were \$3,187,609. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services		Change
	2007	2006	2007	2006	2006-2007
Instruction	\$2,093,553	\$1,991,871	\$1,493,098	\$1,460,478	2%
Support Services	812,638	798,182	778,643	753,671	3%
Non-instructional programs	-	-	-	-	-
Other expenses	281,418	168,855	281,418	168,855	40%
Totals	\$3,187,609	\$2,958,908	\$2,553,159	\$2,383,004	7%

- The cost financed by users of the District's programs was \$442,601.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$370,992.
- The net cost of governmental activities was financed with \$1,365,558 in property and other taxes and \$1,376,569 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$179,216 and expenses were \$178,480. The District's business type activities include the School Nutrition Fund and the Childhood Development Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Janesville Consolidated School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,653,611, well above last year's ending fund balances of \$1,373,070.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in grants resulted in an increase in revenues.
- The General Fund balance increased from \$638,557 to \$684,377, due in part to the increase in revenue over the increase in expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$62,669 in fiscal 2006 to \$73,211 in fiscal 2007.
- The Capital Projects Fund balance increased due to the issuance of \$1,600,000 of revenue bonds. The District ended fiscal 2006 with a balance of \$603,643. Fiscal 2007 ended with a balance of \$1,757,047.
- The District has been trying to maintain its General Fund balance by controlling classroom budgets, reducing travel and field trips, and reducing staff slightly where possible.
- The total elimination of Phase III dollars and technology funding from the state has made it difficult to maintain staff development for teachers and keep all of the school's computers in operational order. However, the funding of Teachers Quality Compensation dollars has eased this burden.
- The District used PPEL dollars and Capital Project dollars to remodel the building and made the second of three lease/purchase payments on a handicapped accessible school bus.
- The District used R.E.A.P. funds to purchase laptop computers, fund the purchase of Language Arts curriculum materials, and to purchase new library materials for both the elementary and high school media centers.
- The 2006-2007 R.E.A.P. dollars will also be used to purchase new elementary and secondary textbooks for Pre K – 12.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$10,312 at June 30, 2006 to \$10,776 at June 30, 2007, representing an increase of approximately 4%.
- Childhood Development Fund net assets increased from -\$15,582 at June 30, 2006 to -\$15,310 at June 30, 2007, representing an increase of approximately 2%.
- The Proprietary Fund's net assets increased due to a decrease in expenditures with an increase in revenue.

BUDGETARY HIGHLIGHTS

The District's receipts were \$144,081 more than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 44% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$100,082.

The original cost of the District's capital assets was \$3.99 million. Governmental funds account for \$3.98 million, with the remainder of \$.01 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in the capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$722,789 at June 30, 2007, compared to \$11,492 reported at June 30, 2006. This increase resulted from the remodeling project.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$18,751	\$18,751	\$-	\$-	\$18,751	\$18,751	-
Construction in progress	722,989	11,492	-	-	722,989	11,492	98%
Buildings	560,809	588,009	-	-	560,809	588,009	-5%
Improvements other than buildings	20,669	22,326	-	-	20,669	22,326	-7%
Furniture and equipment	144,970	187,171	4,099	4,639	149,069	191,810	-22%
Totals	\$1,468,188	\$827,749	\$4,099	\$4,639	\$1,472,287	\$832,388	43%

Long-Term Debt

At June 30, 2007, the District had \$1,620,612 in long-term debt outstanding. This represents an increase of approximately 98% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
Revenue bonds	\$1,600,000	\$-	100%
Notes payable	20,612	40,261	-49%
	\$1,620,612	\$40,261	98%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- A construction project for remodeling the school building is in process for about \$1.8 million to be funded by \$1,600,000 of Local Option Sales Tax Revenue bonds, which have been issued in 2006-2007, with the project being finished in 2008.
- The District did not levy a cash reserve amount for fiscal year 2007.
- The District's employee group health insurance increased slightly for fiscal year 2007.
- The state has now completely abandoned Phase III funding to schools for teacher staff development and curriculum work.
- Unfunded mandates such as "No Child Left Behind" and "GASB 34" are making it very difficult for schools to keep adequate staffing and provide the necessary instructional materials.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan McClure, School Business Manager, Janesville Consolidated School, 505 Barrick Road, Janesville IA 50647.

Basic Financial Statements

Janesville Consolidated School District

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Other	\$ 3,114,293	\$ 9,062	\$ 3,123,355
Receivables:			
Property tax:			
Delinquent	19,749	-	19,749
Succeeding year	1,011,249	-	1,011,249
Accounts	806	57	863
Accrued interest:			
ISCAP	2,527	-	2,527
Due from other funds	121,980	-	121,980
Due from other governments	51,802	-	51,802
Capital assets, net of accumulated depreciation	1,468,188	4,099	1,472,287
Total Assets	\$ 5,790,594	\$ 13,218	\$ 5,803,812
Liabilities			
Excess of warrants over bank balance	\$ -	\$ 7,363	\$ 7,363
Accounts payable	339,048	-	339,048
Salaries and benefits payable	197,168	8,597	205,765
Due to other funds	121,330	650	121,980
Accrued interest payable	29,262	-	29,262
Deferred revenue-succeeding year property tax	1,011,249	-	1,011,249
Deferred revenue	-	1,142	1,142
Long-term liabilities:			
Portion due within one year:			
Capital lease	20,612	-	20,612
Portion due after one year:			
Revenue bonds payable	1,600,000	-	1,600,000
Total Liabilities	\$ 3,318,669	\$ 17,752	\$ 3,336,421
Net Assets			
Invested in capital assets, net of related debt	\$ -152,424	\$ 4,099	\$ -148,325
Restricted for:			
Management levy	88,621	-	88,621
Physical plant and equipment levy	73,211	-	73,211
Other special revenue purposes	1,807,402	-	1,807,402
Unrestricted	655,115	-8,633	646,482
Total Net Assets	\$ 2,471,925	\$ -4,534	\$ 2,467,391

Janesville Consolidated School District

Statement of Activities

Year Ended June 30, 2007

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,584,021	\$ 152,994	\$ 300,292	\$ -
Special instruction	335,331	8,330	35,172	-
Other instruction	174,201	101,157	2,510	-
	<u>\$ 2,093,553</u>	<u>\$ 262,481</u>	<u>\$ 337,974</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 50,086	\$ -	\$ -	\$ -
Instructional staff services	29,506	-	-	-
Administration services	339,353	-	-	-
Operation and maintenance of plant services	231,748	-	-	-
Transportation services	161,945	31,558	2,437	-
	<u>\$ 812,638</u>	<u>\$ 31,558</u>	<u>\$ 2,437</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 57,539	\$ -	\$ -	\$ -
Long-term debt interest	75,909	-	-	-
AEA flow-through	112,250	-	-	-
Depreciation (unallocated)*	35,720	-	-	-
	<u>\$ 281,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 3,187,609</u>	<u>\$ 294,039</u>	<u>\$ 340,411</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 105,260	\$ 75,070	\$ 30,581	\$ -
Childhood development	73,220	73,492	-	-
	<u>\$ 178,480</u>	<u>\$ 148,562</u>	<u>\$ 30,581</u>	<u>\$ -</u>
Total	<u>\$ 3,366,089</u>	<u>\$ 442,601</u>	<u>\$ 370,992</u>	<u>\$ -</u>

*This amount excludes the depreciation included in the direct expenses of the various programs.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,130,735	\$	-	\$ -1,130,735
	-291,829		-	-291,829
	-70,534		-	-70,534
\$	-1,493,098	\$	-	\$ -1,493,098
\$	-50,086	\$	-	\$ -50,086
	-29,506		-	-29,506
	-339,353		-	-339,353
	-231,748		-	-231,748
	-127,950		-	-127,950
\$	-778,643	\$	-	\$ -778,643
\$	-	\$	-	\$ -
\$	-57,539	\$	-	\$ -57,539
	-75,909		-	-75,909
	-112,250		-	-112,250
\$	-35,720	\$	-	\$ -35,720
\$	-281,418	\$	-	\$ -281,418
\$	-2,553,159	\$	-	\$ -2,553,159
\$	-	\$	391	\$ 391
	-		272	272
\$	-	\$	663	\$ 663
\$	-2,553,159	\$	663	\$ -2,552,496

Janesville Consolidated School District

Statement of Activities

Year Ended June 30, 2007

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other general revenues

Total General Revenues

Change in net assets
Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,032,818	\$ -	\$ 1,032,818
82,195	-	82,195
250,545	-	250,545
1,376,569	-	1,376,569
118,030	73	118,103
5,028	-	5,028
\$ 2,865,185	\$ 73	\$ 2,865,258
\$ 312,026	\$ 736	\$ 312,762
2,159,899	-5,270	2,154,629
\$ 2,471,925	\$ -4,534	\$ 2,467,391

Janesville Consolidated School District

Balance Sheet
Governmental Funds

June 30, 2007

	General	Capital Projects	Non-major Special Revenue	Total
Assets				
Cash and Pooled Investments:				
Other	\$ 863,662	\$ 1,943,579	\$ 307,052	\$ 3,114,293
Receivables:				
Property Tax:				
Delinquent	16,337	-	3,412	19,749
Succeeding year	881,503	56,780	72,966	1,011,249
Accounts	-	-	806	806
Accrued Interest:				
ISCAP	2,527	-	-	2,527
Due from other funds	2,063	100,000	19,917	121,980
Due from other governments	30,623	21,179	-	51,802
Total Assets	\$ 1,796,715	\$ 2,121,538	\$ 404,153	\$ 4,322,406
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 30,193	\$ 292,215	\$ 16,640	\$ 339,048
Salaries and benefits payable	196,221	-	947	197,168
Due to other funds	4,421	15,496	101,413	121,330
Deferred Revenue:				
Succeeding year property tax	881,503	56,780	72,966	1,011,249
Total Liabilities	\$ 1,112,338	\$ 364,491	\$ 191,966	\$ 1,668,795
Fund Balances:				
Unreserved	\$ 684,377	\$ 1,757,047	\$ 212,187	\$ 2,653,611
Total Liabilities and Fund Balances	\$ 1,796,715	\$ 2,121,538	\$ 404,153	\$ 4,322,406

Janesville Consolidated School District

**Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets**

June 30, 2007

Total fund balances of governmental funds (page 16)	\$ 2,653,611
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,468,188
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-29,262
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-1,620,612</u>
Net assets of governmental activities (page 13)	<u>\$ 2,471,925</u>

Janesville Consolidated School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2007

	General	Capital Projects	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 945,439	\$ 250,545	\$ 169,574	\$ 1,365,558
Tuition	132,999	-	-	132,999
Other	103,075	86,988	104,000	294,063
Intermediate sources	-	-	-	-
State sources	1,610,015	-	231	1,610,246
Federal sources	96,770	-	-	96,770
Total Revenues	\$ 2,888,298	\$ 337,533	\$ 273,805	\$ 3,499,636
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,573,567	\$ -	\$ -	\$ 1,573,567
Special instruction	335,331	-	-	335,331
Other instruction	76,919	-	97,282	174,201
	\$ 1,985,817	\$ -	\$ 97,282	\$ 2,083,099
Support Services:				
Student services	\$ 50,086	\$ -	\$ -	\$ 50,086
Instructional staff services	29,506	-	-	29,506
Administration services	331,230	-	6,393	337,623
Operation and maintenance of plant services	207,202	-	21,106	228,308
Transportation services	126,387	-	15,844	142,231
	\$ 744,411	\$ -	\$ 43,343	\$ 787,754
Other Expenditures:				
Facilities acquisition	\$ -	\$ 734,451	\$ 34,586	\$ 769,037
Long-Term Debt:				
Principal	-	-	19,649	19,649
Interest	-	-	47,306	47,306
AEA flow-through	112,250	-	-	112,250
	\$ 112,250	\$ 734,451	\$ 101,541	\$ 948,242
Total Expenditures	\$ 2,842,478	\$ 734,451	\$ 242,166	\$ 3,819,095
Excess of revenues over expenditures	\$ 45,820	\$ -396,918	\$ 31,639	\$ -319,459
Other Financing Sources (Uses):				
Revenue bonds issued	\$ -	\$ 1,600,000	\$ -	\$ 1,600,000
Operating transfers in	-	1,608,817	71,299	1,680,116
Operating transfers out	-	-1,658,495	-21,621	-1,680,116
Total Other Financing Sources (Uses)	\$ -	\$ 1,550,322	\$ 49,678	\$ 1,600,000
Net change in fund balances	\$ 45,820	\$ 1,153,404	\$ 81,317	\$ 1,280,541
Fund balances beginning of year	638,557	603,643	130,870	1,373,070
Fund Balances End of Year	\$ 684,377	\$ 1,757,047	\$ 212,187	\$ 2,653,611

See notes to financial statements.

Janesville Consolidated School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2007

Net change in fund balances – total governmental funds (page 18)

\$ 1,280,541

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 740,521	
Depreciation expense	<u>-100,082</u>	640,439

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ -1,600,000	
Repaid	<u>19,649</u>	-1,580,351

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-28,603

Change in Net Assets of Governmental Activities (page 15)

\$ 312,026

Janesville Consolidated School District

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Hot Lunch	Childhood Development	Total
Assets			
Cash and cash equivalents	\$ 9,062	\$ -	\$ 9,062
Accounts receivable	57	-	57
Capital assets, net of accumulated depreciation	4,099	-	4,099
Total Assets	\$ 13,218	\$ -	\$ 13,218
Liabilities			
Excess of warrants over bank balance	\$ -	\$ 7,363	\$ 7,363
Salaries and benefits payable	650	7,947	8,597
Due to other funds	650	-	650
Deferred revenue	1,142	-	1,142
Total Liabilities	\$ 2,442	\$ 15,310	\$ 17,752
Net Assets			
Invested in capital assets, net of related debt	\$ 4,099	\$ -	\$ 4,099
Unrestricted	6,677	-15,310	-8,633
Total Net Assets	\$ 10,776	\$ -15,310	\$ -4,534

Janesville Consolidated School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2007

	Hot Lunch	Childhood Development	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 75,070	\$ 73,492	\$ 148,562
Operating expenses:			
Instruction:			
Other instruction:			
Salaries	\$ -	\$ 38,642	\$ 38,642
Supplies	-	5,053	5,053
Purchased services	-	15	15
	\$ -	\$ 43,710	\$ 43,710
Non-instructional programs:			
Operations:			
Salaries	\$ 6,803	\$ 15,575	\$ 22,378
Benefits	913	13,643	14,556
Supplies	96,841	292	97,133
Purchased services	163	-	163
Depreciation	540	-	540
	\$ 105,260	\$ 29,510	\$ 134,770
Total operating expenses	\$ 105,260	\$ 73,220	\$ 178,480
Operating income (loss)	\$ -30,190	\$ 272	\$ -29,918
Non-operating revenues:			
State sources	\$ 1,368	\$ -	\$ 1,368
Federal sources	29,213	-	29,213
Interest income	73	-	73
Total non-operating revenues	\$ 30,654	\$ -	\$ 30,654
Change in net assets	\$ 464	272	\$ 736
Net assets beginning of year	10,312	-15,582	-5,270
Net Assets End of Year	\$ 10,776	\$ -15,310	\$ -4,534

Janesville Consolidated School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2007

	Hot Lunch	Childhood Development	Total
Cash flows from operating activities:			
Cash received from daycare fees	\$ -	\$ 73,492	\$ 73,492
Cash received from sale of lunches and breakfasts	75,257	-	75,257
Cash paid to employees for services	-10,293	-46,756	-57,049
Cash paid to suppliers for goods or services	-89,535	-26,113	-115,648
Net cash provided (used) by operating activities	\$ -24,571	\$ 623	\$ -23,948
Cash flows from non-capital financing activities:			
State grants received	\$ 1,368	\$ -	\$ 1,368
Federal grants received	20,841	-	20,841
Net cash provided by non-capital financing activities	\$ 22,209	\$ -	\$ 22,209
Cash flows from investing activities:			
Interest on investments	\$ 73	\$ -	\$ 73
Net increase (decrease) in cash and cash equivalents	\$ -2,289	\$ 623	\$ -1,666
Cash and cash equivalents beginning of year	11,351	-7,986	3,365
Cash and Cash Equivalents End of Year	\$ 9,062	\$ -7,363	\$ 1,699
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -30,190	\$ 272	\$ -29,918
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Commodities used	8,372	-	8,372
Depreciation	540	-	540
(Increase) in accounts receivable	-27	-	-27
Increase in salaries and benefits payable	38	351	389
Increase in deferred revenue	213	-	213
(Decrease) in due to other funds	-3,517	-	-3,517
Net Cash Provided (Used) by Operating Activities	\$ -24,571	\$ 623	\$ -23,948

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$8,372 of federal commodities.

Janesville Consolidated School District

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2007

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 261,939
Interest receivable	<u>1,684</u>
Total assets	<u>\$ 263,623</u>
Liabilities	<u>\$ -</u>
Net Assets	
Reserved for scholarships	<u>\$ 263,623</u>

Janesville Consolidated School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year Ended June 30, 2007

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 11,337
Deductions:	
Support services:	
Scholarships awarded	\$ 4,000
Change in net assets	\$ 7,337
Net assets beginning of year	<u>256,286</u>
Net Assets End of Year	<u>\$ 263,623</u>

Janesville Consolidated School District

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Janesville Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Janesville, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Janesville Consolidated School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Janesville Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in two jointly governed organizations that provide services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer and Black Hawk Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Childhood Development Fund. These funds are used to account for the food service and daycare operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Total	<u>\$1,014,374</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Due From and Due to Other funds**

The detail of inter-fund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 1,413
General	Hot Lunch	650
		<u>\$ 2,063</u>
Special Revenue:	Special Revenue:	
Physical Plant and Equipment Levy	Capital Projects	\$ 15,496
Management	General	4,421
Capital Projects	Physical Plant and Equipment Levy	100,000
		<u>\$ 119,917</u>
Total		<u>\$ 121,980</u>

The Physical Plant and Equipment Levy Fund is repaying the Capital Projects Fund for equipment purchased. The Hot Lunch Fund is repaying the General Fund for salaries. The General Fund is repaying the Management Fund for insurance reimbursement that was incorrectly recorded. The balance will be repaid by June 30, 2008.

(4) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 21,622
Debt Service	Capital Projects	49,677
		<u>\$ 71,299</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2006-07A	6/28/06	6/28/07	\$ -	\$ 2,527	\$ -	\$ -	-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 18,751	\$ -	\$ -	\$ 18,751
Construction in progress	11,492	711,497	-	722,989
Total capital assets not being depreciated	\$ 30,243	\$ 711,497	\$ -	\$ 741,740
Capital assets being depreciated:				
Buildings	\$ 1,494,203	\$ 6,863	\$ 8,500	\$ 1,492,566
Improvements other than buildings	214,401	-	-	214,401
Furniture and equipment	1,512,844	22,161	-	1,535,005
Total capital assets being depreciated	\$ 3,221,448	\$ 29,024	\$ 8,500	\$ 3,241,972
Less accumulated depreciation for:				
Buildings	\$ 906,194	\$ 34,063	\$ 8,500	\$ 931,757
Improvements other than buildings	192,075	1,657	-	193,732
Furniture and equipment	1,325,673	64,362	-	1,390,035
Total accumulated depreciation	\$ 2,423,942	\$ 100,082	\$ 8,500	\$ 2,515,524
Total capital assets being depreciated, net	\$ 797,506	\$ -71,058	\$ -	\$ 726,448
Governmental Activities Capital Assets, Net	\$ 827,749	\$ 640,439	\$ -	\$ 1,468,188
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 6,984	\$ -	\$ 504	\$ 6,480
Less accumulated depreciation	2,345	540	504	2,381
Business Type Activities Capital Assets, Net	\$ 4,639	\$ 540	\$ -	\$ 4,099

Depreciation expense was charged to the following functions:

Governmental Activities:	
Instruction:	
Regular	\$ 24,603
Support services:	
Administration	1,730
Operation and maintenance of plant	3,440
Transportation	34,589
	\$ 64,362
Unallocated	35,720
Total Depreciation Expense – Governmental Activities	\$ 100,082
Business Type Activities:	
Food service operations	\$ 540

(7) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Bus loan payable	\$ 40,261	\$ -	\$ 19,649	\$ 20,612	\$ 20,612
Revenue bonds	-	1,600,000	-	1,600,000	-
	\$ 40,261	\$ 1,600,000	\$ 19,649	\$ 1,620,612	\$ 20,612

Bus Loan

The District purchased a Blue Bird School Bus in March of 2006 for \$61,883. \$21,622 was paid as a down payment, leaving \$40,261 to be paid over the next two years. Repayment is as follows:

Due Date	Principal	Implicit Interest	Total
3-1-08	\$ 20,612	\$ 1,010	\$ 21,622

During the year ended June 30, 2007, the District made principal and interest payments totaling \$21,622 under the agreement.

Revenue Bonds

Detail's of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 1, 2006			
	Interest Rates	Principal	Interest	Total
2008	4.25%	\$-	\$68,000	\$68,000
2009	4.25%	1,600,000	68,000	1,668,000
Total		\$1,600,000	\$136,000	\$1,736,000

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- \$410,000 of School LOST revenues currently on hand shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- Monies in the Revenue Account shall disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$73,918, \$69,954, and \$67,602, respectively, equal to the required contributions for each year.

(9) Risk Management

Janesville Consolidated School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$112,250 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Commitments:

The District has a construction project underway for the remodeling of the school building for approximately \$1.8 million to be funded by local option sales tax bonds, which have been issued during the current fiscal year. The project will be finished during the 2007-2008 fiscal year.

Required Supplementary Information

Janesville Consolidated School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 1,792,620	\$ 148,635
Intermediate sources	-	-
State sources	1,610,246	1,368
Federal sources	96,770	29,213
Total Receipts	<u>\$ 3,499,636</u>	<u>\$ 179,216</u>
Disbursements:		
Instruction	\$ 2,083,099	\$ 43,710
Support services	787,754	-
Non-instructional programs	-	134,770
Other expenditures	948,242	-
Total Disbursements	<u>\$ 3,819,095</u>	<u>\$ 178,480</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -319,459	\$ 736
Revenue bonds issued	<u>1,600,000</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 1,280,541	\$ 736
Balances beginning of year	<u>1,373,070</u>	<u>-5,270</u>
Balances End of Year	<u>\$ 2,653,611</u>	<u>\$ -4,534</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final To Actual Variance
		Original	Final	
\$	1,941,255	\$ 1,845,452	\$ 1,845,452	\$ -95,803
	-	-	-	-
	1,611,614	1,601,319	1,601,319	-10,295
	125,983	88,000	88,000	-37,983
\$	3,678,852	\$ 3,534,771	\$ 3,534,771	\$ -144,081
\$	2,126,809	\$ 2,454,549	\$ 2,454,549	\$ 327,740
	787,754	891,000	891,000	103,246
	134,770	200,878	200,878	66,108
	948,242	905,716	905,716	-42,526
\$	3,997,575	\$ 4,452,143	\$ 4,452,143	\$ 454,568
\$	-318,723	\$ -917,372	\$ -917,372	\$ 598,649
	1,600,000	-	-	1,600,000
\$	1,281,277	\$ -917,372	\$ -917,372	\$ 2,198,649
	1,367,800	508,309	508,309	859,491
\$	2,649,077	\$ -409,063	\$ -409,063	\$ 3,058,140

Janesville Consolidated School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amounts budgeted.

Other Supplementary Information

Janesville Consolidated School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2007

	Debt Services	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ 4,344	\$ 83,389	\$ 45,205	\$ 174,114	\$ 307,052
Receivables:					
Property Tax:					
Delinquent	-	1,758	-	1,654	3,412
Succeeding year	-	45,000	-	27,966	72,966
Inter-fund receivable	-	4,421	-	15,496	19,917
Accounts	-	-	806	-	806
Total Assets	\$ 4,344	\$ 134,568	\$ 46,011	\$ 219,230	\$ 404,153
Liabilities & Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 16,640	\$ 16,640
Salaries and benefits payable	-	947	-	-	947
Inter-fund payable	-	-	-	101,413	101,413
Deferred Revenue:					
Succeeding year property tax	-	45,000	-	27,966	72,966
Total Liabilities	\$ -	\$ 45,947	\$ -	\$ 146,019	\$ 191,966
Fund Equity:					
Unreserved fund balances	\$ 4,344	\$ 88,621	\$ 46,011	\$ 73,211	\$ 212,187
Total Liabilities & Fund Equity	\$ 4,344	\$ 134,568	\$ 46,011	\$ 219,230	\$ 404,153

Janesville Consolidated School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2007

	Debt Service	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:					
Local Sources:					
Local tax	\$ -	\$ 87,379	\$ -	\$ 82,195	\$ 169,574
Other	-	3,692	100,022	286	104,000
State sources	-	119	-	112	231
Total Revenues	\$ -	\$ 91,190	\$ 100,022	\$ 82,593	\$ 273,805
Expenditures:					
Current:					
Instruction:					
Other instruction	\$ -	\$ -	\$ 97,282	\$ -	\$ 97,282
Support Services:					
Administration services	-	6,393	-	-	6,393
Operation and maintenance of plant services	-	21,106	-	-	21,106
Transportation services	-	-	-	15,844	15,844
Other Expenditures:					
Facilities acquisition	-	-	-	34,586	34,586
Long-term debt:					
Principal	19,649	-	-	-	19,649
Interest	47,306	-	-	-	47,306
Total Expenditures	\$ 66,955	\$ 27,499	\$ 97,282	\$ 50,430	\$ 242,166
Excess (deficiency) of revenues over (under) expenditures	\$ -66,955	\$ 63,691	\$ 2,740	\$ 32,163	\$ 31,639
Other Financing Sources (Uses):					
Operating transfers in	\$ 71,299	\$ -	\$ -	\$ -	\$ 71,299
Operating transfer out	-	-	-	-21,621	-21,621
Total Other Financing Sources (Uses)	\$ 71,299	\$ -	\$ -	\$ -21,621	\$ 49,678
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ 4,344	\$ 63,691	\$ 2,740	\$ 10,542	\$ 81,317
Fund balances beginning of year	-	24,930	43,271	62,669	130,870
Fund Balances End of Year	\$ 4,344	\$ 88,621	\$ 46,011	\$ 73,211	\$ 212,187

Janesville Consolidated School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2007

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-Fund Transfer	Balance End of Year
Book Fair	\$ 2,275	\$ 1,674	\$ 1,302	\$ -	\$ 2,647
7-12 Secondary Account	2,656	1,026	335	-	3,347
Graduated Classes	3,368	-	312	62	3,118
12 th Grade	374	220	1,536	2,052	1,110
11 th Grade	2,426	3,714	4,109	-1,572	459
10 th Grade	855	612	354	-639	474
9 th Grade	216	679	300	-217	378
Choir/Band Trip	2,495	4,843	3,229	-	4,109
High School Student Council	264	1,408	1,231	-	441
Athletics	3,113	43,133	47,876	2,346	716
Drama/Music	1,085	1,318	1,959	-73	371
Home Economics	410	-	-	-	410
Pop Machine	7,426	7,338	4,722	-1,999	8,043
Revolving	87	-	-	-87	-
Interest	411	190	-	-138	463
Softball Complex	1,424	700	1,271	-	853
Publications	4,806	7,985	5,546	1	7,246
Band Resale	1	1,243	1,383	149	10
Honor Society	272	1,202	989	-	485
Junior High Student Council	187	19	50	-	156
Art Fund	905	-	-	-	905
6 th Grade	103	-	-	-	103
MS Band	-	4,283	4,029	-	254
Textbooks-Other	8	-	-	-8	-
Swing Choir	417	1,167	343	-751	490
Elementary Activities	5,784	5,907	3,899	-	7,792
Miscellaneous	1,243	10,612	12,457	51	-551
Spanish Club	-	739	-	-	739
Technology Fund	540	10	-	-	550
Speech Club	120	-	50	-	70
Drama	-	-	-	823	823
Total	\$ 43,271	\$ 100,022	\$ 97,282	\$ -	\$ 46,011

See accompanying independent auditor's report.

Janesville Consolidated School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Local Sources:				
Local tax	\$ 1,365,558	\$ 1,293,783	\$ 1,216,625	\$ 1,185,948
Tuition	132,999	117,732	107,834	125,235
Other	294,063	249,477	292,773	248,434
State sources	1,610,246	1,580,463	1,488,740	1,307,140
Federal sources	96,770	55,451	66,830	87,318
Total	\$ 3,499,636	\$ 3,296,906	\$ 3,172,802	\$ 2,954,075
Expenditures:				
Instruction:				
Regular instruction	\$ 1,573,567	\$ 1,452,592	\$ 1,492,098	\$ 1,546,863
Special instruction	335,331	285,007	281,963	241,735
Other instruction	174,201	206,118	222,993	151,924
Support services:				
Student services	50,086	49,502	39,484	39,717
Instructional staff services	29,506	38,679	44,197	43,323
Administrative services	337,623	337,187	306,140	276,388
Operation and maintenance of plant services	228,308	243,661	204,484	206,824
Transportation services	142,231	126,865	97,008	97,803
Non-instructional programs	-	-	-	43,872
Other expenditures:				
Facilities acquisition	769,037	124,770	129,043	110,066
Long-term debt:				
Principal	19,649	42,207	19,699	18,850
Interest and other charges	47,306	926	1,812	2,661
AEA flow-through	112,250	107,248	100,227	98,044
Total	\$ 3,819,095	\$ 3,014,762	\$ 2,939,148	\$ 2,878,070

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Janesville Consolidated School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Janesville Consolidated School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 5, 2008. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Janesville Consolidated School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Janesville Consolidated School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Janesville Consolidated School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Janesville Consolidated School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Janesville Consolidated School District's financial statements that is more inconsequential will not be prevented or detected by Janesville Consolidated School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Janesville Consolidated School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

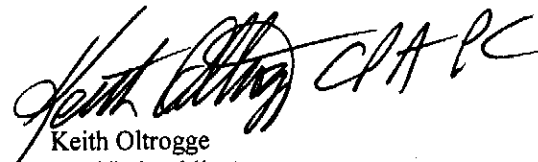
As part of obtaining reasonable assurance about whether Janesville Consolidated School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Janesville Consolidated School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Janesville Consolidated School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Janesville Consolidated School District and other parties to whom Janesville Consolidated School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Janesville Consolidated School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

February 5, 2008

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2007

Part I – Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties

Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the same individual is responsible for preparation of checks and deposits, recording the transaction in the journals, and reconciling the bank statement.

Recommendation – With the limited number of personnel involved in accounting for Organization activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the Organization's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions.

Response – Every effort will be made to further evaluate and restructure accounting tasks limited by the number of employees available to perform said functions.

Conclusion – Response accepted.

I-B-07 Bank Reconciliation

Finding – The bank statements are not being reconciled on a monthly basis.

Recommendation – Bank statements should be received and reconciled on a monthly basis with supporting documentation properly maintained. This is an important function in the internal control system.

Response – We will change our banking procedures.

Conclusion – Response accepted.

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2007

Part II - Other Findings Related to Required Statutory Reporting:

II-A-07 Certified Budget – Expenditures for the year ended June 30, 2007 exceeded the certified budget amounts in the other expenditures function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-07 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-07 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions were found that I believe should have been approved in the Board minutes but were not. Certain minutes were not published within the two week period after the meeting date, as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2007

Part II - Other Findings Related to Required Statutory Reporting: (continued)

II-J-07 Revenue Bonds – The District has complied with the requirements of the revenue bond resolution.

II-K-07 Deficit Balances – One student activity accounts had a deficit balance at June 30, 2007.

Recommendation – The District should continue to investigate alternatives to eliminate this deficits in order to return this account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.